



18

Entertainment Tax

Lottery Tax

Sales Tax

GST

VAT

Luxury Tax

Central
Excise Duty,
Custom Tax

Service Tax

PRESENTATION PLAN



EXISTING INDIRECT TAX STRUCTURE



BENEFITS OF GST



CONSTITUTION AMENDMENT BILL



FEATURES OF PROPOSED GST MODEL



KEY INSTITUTIONS UNDER GST



CURRENT STATUS



WAY FORWARD



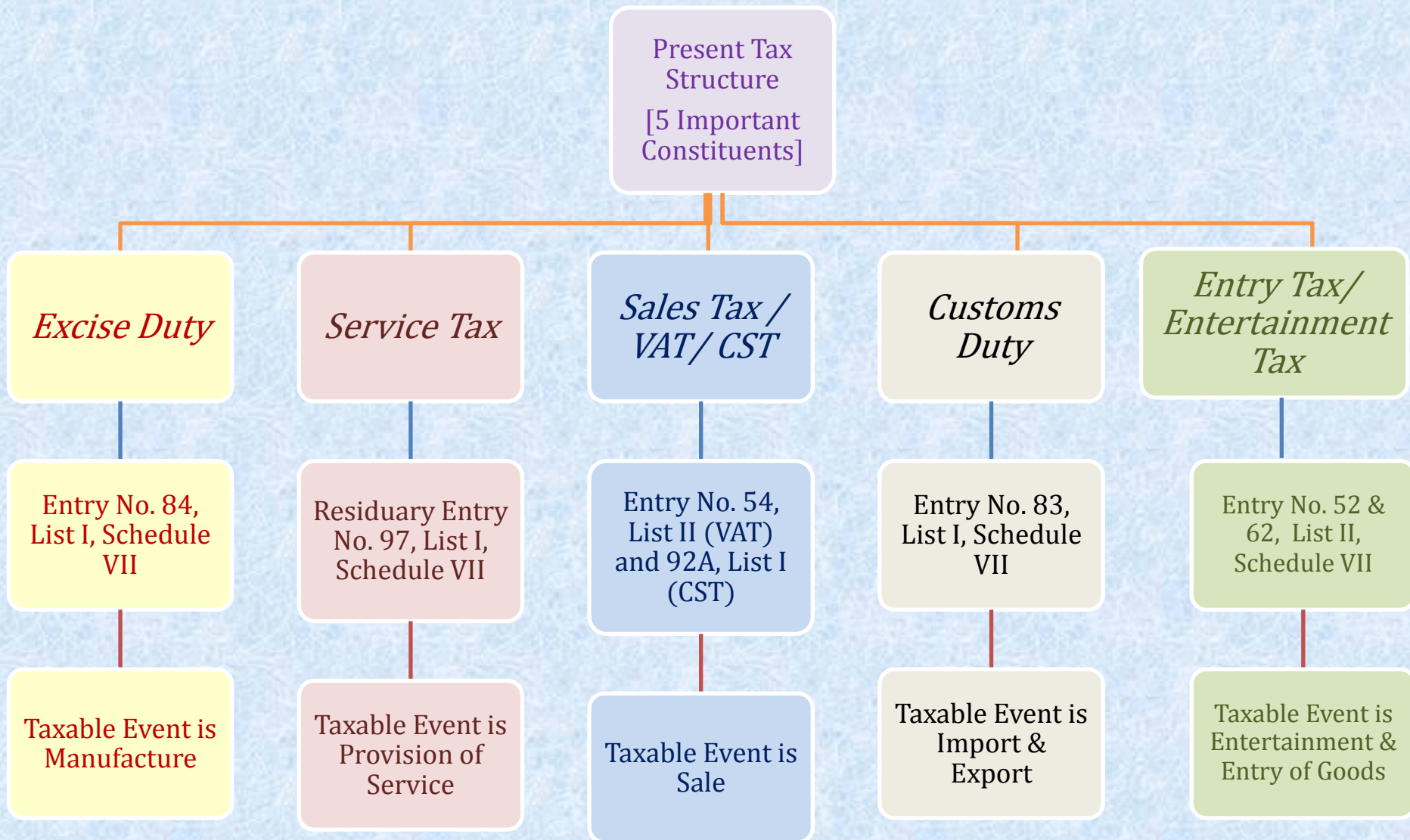
IMPACT ON INDUSTRY



ROLE OF CHARTERED ACCOUNTANTS



EXISTING INDIRECT TAX STRUCTURE



BENEFITS

BENEFITS





AMENDMENTS

to the Constitution

CONSTITUTIONAL AMENDMENT BILL

- ❖ 122nd Amendment Bill introduced in LS on 19.12.2014
- ❖ Key Features
 - ❑ Concurrent jurisdiction for levy & collection of GST by the Centre & the States –proposed Article 246A
 - ❑ Authority for Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports – proposed Article 269A
 - ❑ Authority for Centre to levy & collect non-vatable Additional Tax not exceeding 1% for 2 years on inter-state supply of goods – to be assigned to originating State – proposed Clause 18
 - ❑ Compensation for loss of revenue to States for five years on recommendation of GSTC – proposed Clause 19



GST

GST – FEATURES....

- ❖ Destination-based Consumption Taxation
- ❖ Applies to all supplies of goods / services (as against manufacture, sale or provision of service) made for a consideration
- ❖ Dual GST having two concurrent components
 - ❑ Central GST levied & collected by Centre
 - ❑ State GST levied & collected by States
- ❖ CGST & SGST on intra-State supplies of goods / services in India

....GST – FEATURES....

- ❖ IGST (CGST + SGST) applicable to
 - ❑ Inter-State supplies of goods / services in India
 - ❑ Inter-state stock transfers of goods
 - ❑ Import of goods / services
 - ❑ Export of goods / services (if made on payment of GST under claim of rebate)
- ❖ IGST levied & collected by the Centre
- ❖ Additional Tax not exceeding 1% on inter-state supply of goods – to be levied & collected by the Centre but assigned to originating State
 - ❑ Only if supply made for consideration – stock transfers

....GST – FEATURES....

- ❖ Export of goods / services – Zero rated
- ❖ All goods or services likely to be covered under GST except:
 - ❑ Alcohol for human consumption – State Excise + VAT
 - ❑ Electricity – Electricity Duty
 - ❑ Real Estate – Stamp Duty + Property Taxes
- ❖ Petroleum Products – to be brought under GST from a later date on recommendation of GSTC
- ❖ Tobacco Products – under GST + Central Excise
- ❖ Model GST Law including Rules & procedures to be recommended by GSTC
 - ❑ Multiple statutes – one for Centre & one for every State

....GST – FEATURES

CENTRAL TAXES:

- Central Excise duty (CENVAT)
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

STATE TAXES:

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (not levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses



INSTITUTIONS

KEY INSTITUTIONS UNDER GST....

- ❖ GSTC – proposed Article 279A
 - ❑ Quorum is 50% of total members
 - ❑ Decisions by majority of 75% of weighted votes of members present & voting
 - ❑ Weightage of votes:
 - Centre – $1/3^{\text{rd}}$ of total votes cast
 - States (all taken together) – $2/3^{\text{rd}}$ of total votes cast
 - ❑ Council to decide modalities for dispute resolution arising out of its recommendations
 - ❑ Council to be guided by need for
 - a harmonized structure of GST; and
 - a harmonized national market for goods & services

....KEY INSTITUTIONS UNDER GST

- Council to make recommendations on
 - Taxes, etc. to be subsumed in GST
 - Exemptions & thresholds
 - GST rates
 - Band of GST rates
 - Model GST Law & procedures
 - Special provisions for certain special category States
 - Date from which GST would be levied on petroleum & related products

....KEY INSTITUTIONS UNDER GST

❖ GSTN

- ❑ Incorporated on 28.03.2013 as Section 25 private limited company with authorized equity of Rs. 10 crore
- ❑ Strategic control to remain with Government
- ❑ Equity Holders
 - Central Government – 24.5%
 - EC and all States together – 24.5%
 - Financial Institutions – 51%
- ❑ To function as a Common Pass-through portal for dealers to –
 - submit registration application
 - file returns
 - make tax payments
- ❑ Common Portal already set-up – Infosys as MSP

...KEY INSTITUTIONS UNDER GST

STATES:

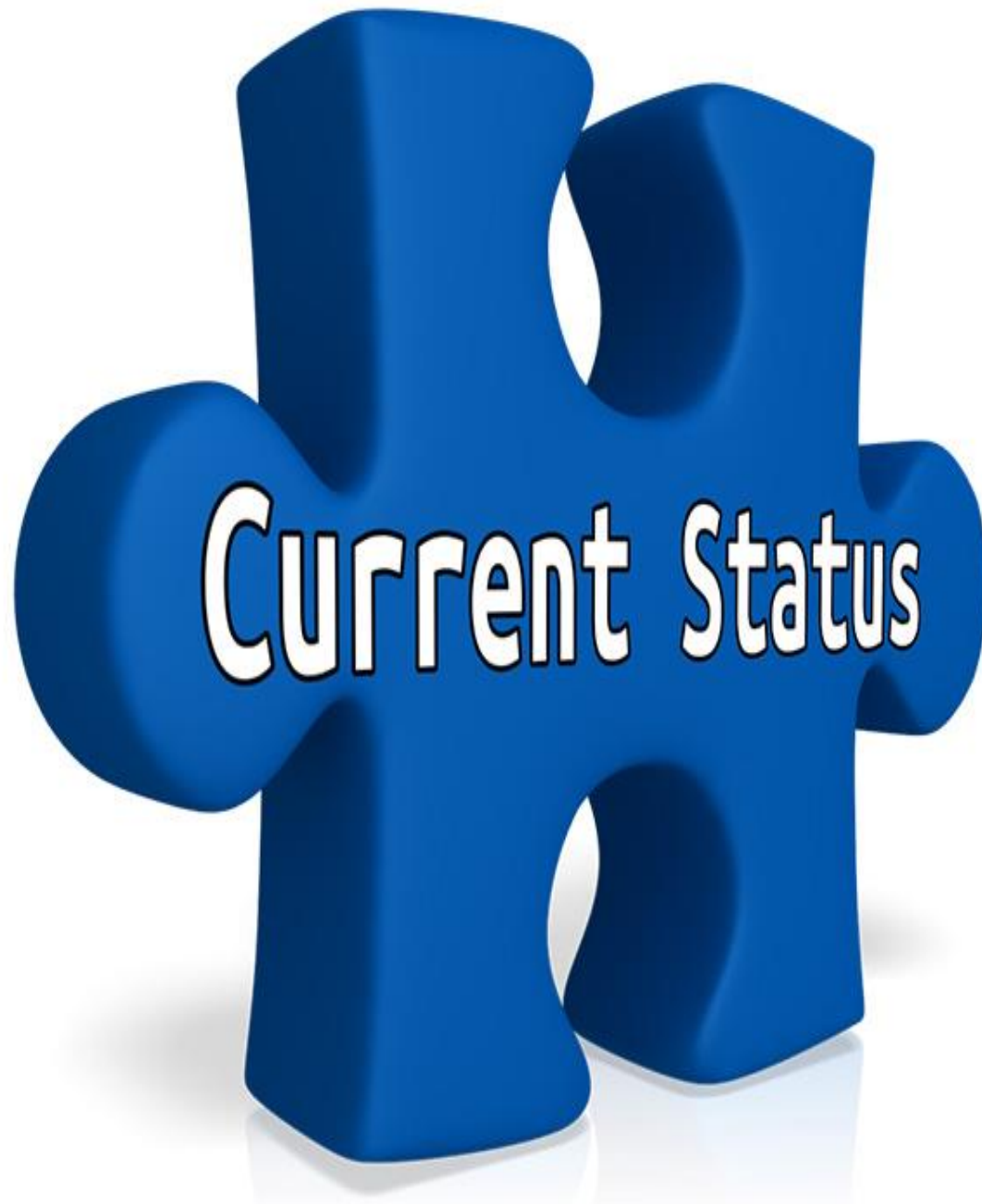
- Empowered Committee of State Finance Ministers (EC) –
- Finance Ministers of all State Governments
- Assisted by State Finance Secretaries/ Commissioners of Commercial Taxes

CENTRE :

- Government of India –
- Department of Revenue
- CBEC

OTHER STAKEHOLDERS :

- Being involved in discussions



CURRENT STATUS....

- ❖ Passage of Constitution Amendment Bill
 - ❑ Introduced in LS on 19.12.2014
 - ❑ Already passed by LS on 06.05.2015
 - ❑ Referred to Select Committee of RS on 12.05.2015 – Report submitted on 22.07.2015 – to be passed by RS
 - ❑ To be ratified by at least 50% of the State Legislatures
 - ❑ Assent by President of India

....CURRENT STATUS....

❖ Business Processes

- ❑ Drafted and put in Public Domain
- ❑ Comments Solicited from the trade, industry and professional bodies
- ❑ Comments being consolidated and examined
- ❑ Amendments if any in Business processes to be put up for approval of EC & Central Government

....CURRENT STATUS

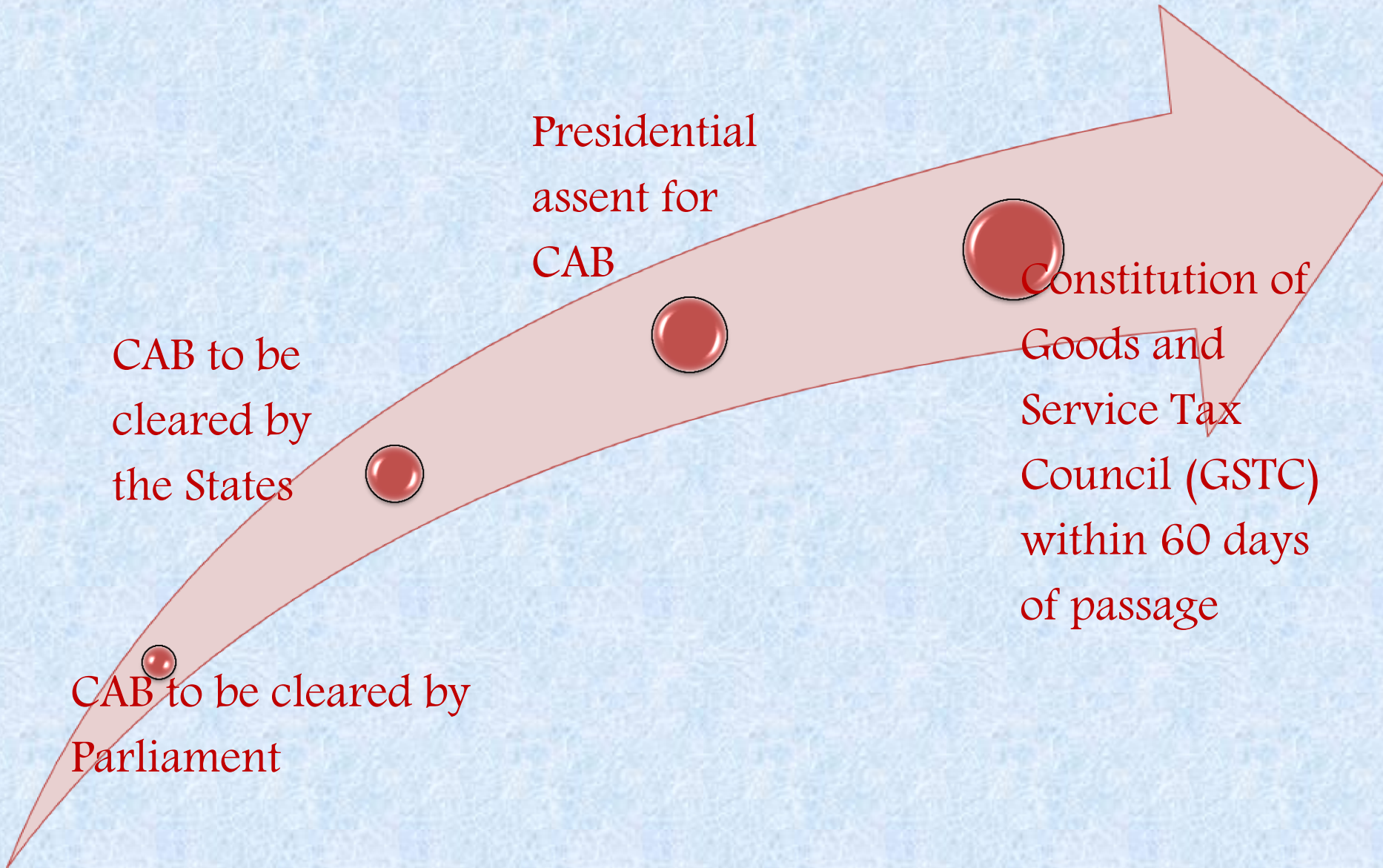
❖ GST Laws and Rules

- ❑ Drafted by three Sub-Committees of EC
- ❑ Discussions being carried out in the Committee to draft model GST Law set up by EC
- ❑ To be approved by EC and thereafter to be put up in Public Domain
- ❑ Comments to be solicited from the trade, industry and professional bodies
- ❑ Comments to be examined and law to be amended if required
- ❑ Amended law to be put up for approval of EC & Central Government
- ❑ Passage by Parliament & all State legislatures

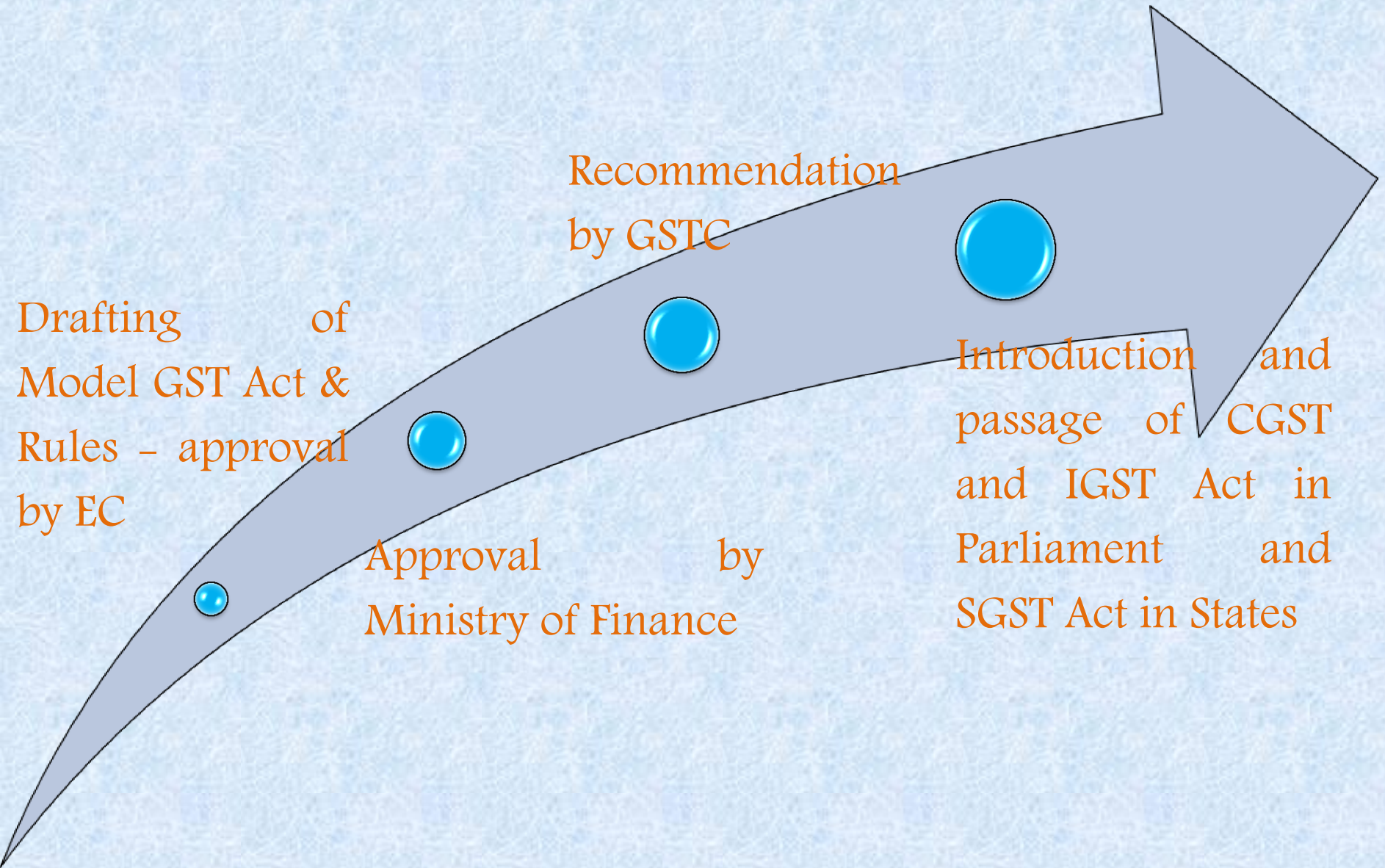


THE
WAY
FORWARD

CONSTITUTIONAL



LEGAL



Drafting of
Model GST Act &
Rules – approval
by EC

Approval by
Ministry of Finance

Recommendation
by GSTC

Introduction and
passage of CGST
and IGST Act in
Parliament and
SGST Act in States

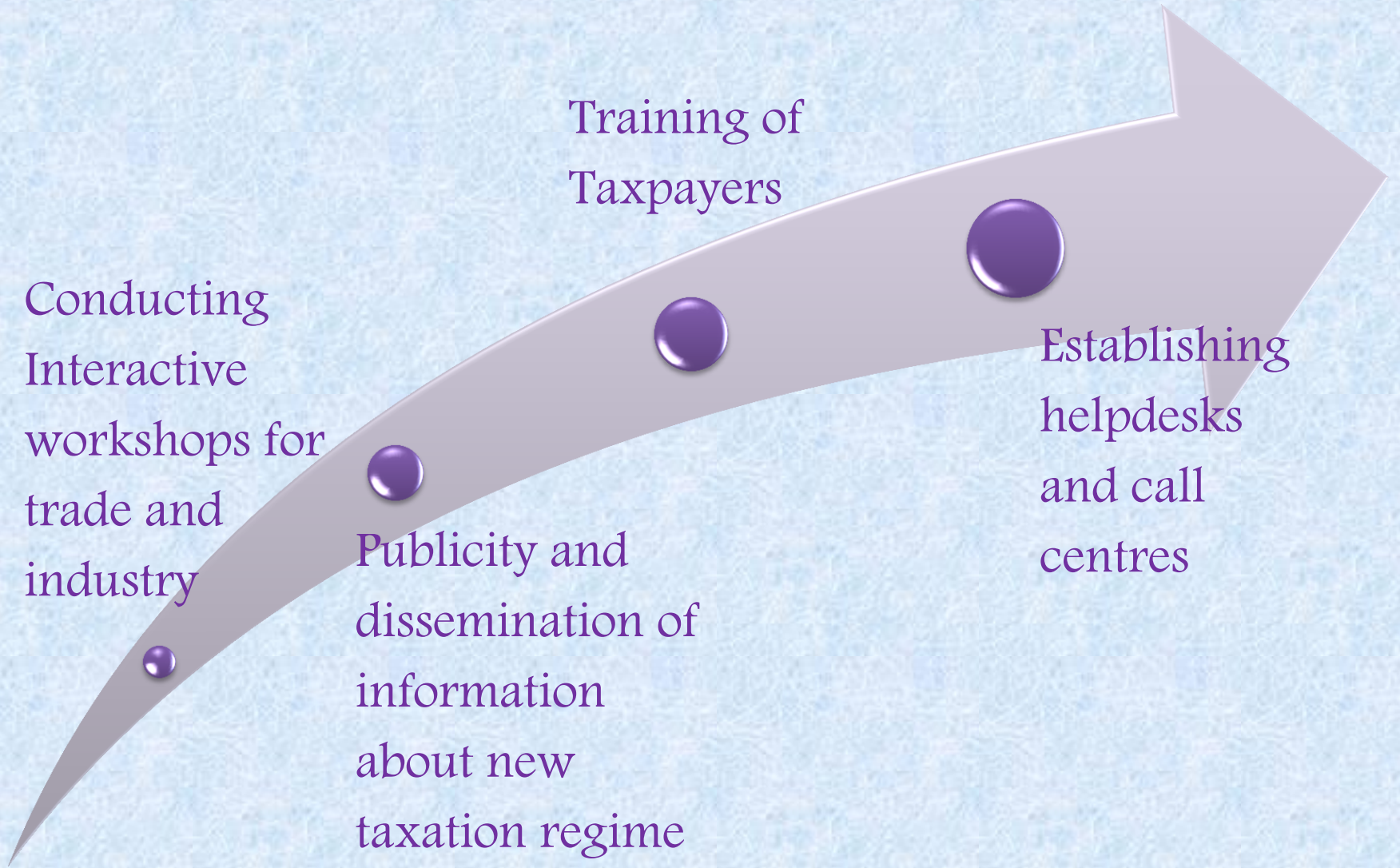
STAKEHOLDERS

Training of
Taxpayers

Conducting
Interactive
workshops for
trade and
industry

Publicity and
dissemination of
information
about new
taxation regime

Establishing
helpdesks
and call
centres



ISSUES UNDER DISCUSSIONS

- ❖ Rates of CGST, IGST & SGST
- ❖ Threshold limits of exemptions & compounding
- ❖ List of exempted goods & services
- ❖ Transitional provisions for treatment of accumulated CENVAT credit
- ❖ Dispute Resolution Mechanism
- ❖ Centre–State mechanism for deciding on future changes in GST regime
- ❖ Distribution of responsibility between the Centre & State in implementing the three pillars of the compliance verification system – Return Scrutiny, Audit & Anti–evasion
- ❖ Treatment of existing area based exemptions
- ❖ Treatment of current exemptions



**Are you
ready
for
GST?**

IMPACT ON INDUSTRY....

❖ Procurement

- ❑ Inter-state procurement of goods & services – location no longer a constraint due to credit eligibility
- ❑ Inter-state vs. Intra-state GST – no longer impact the sourcing decision

❖ Manufacturing

- ❑ Biggest beneficiary under GST
- ❑ Effective neutralization of taxes on imports

❖ Inventory Management

- ❑ Reduction in the lead time
- ❑ Just in Time Inventory model becomes more efficient
- ❑ Positive impact on cost of holding inventory

....IMPACT ON INDUSTRY....

❖ Pricing of Products

- ❑ Positive Impact on cost of sales
- ❑ Free flow of ITC of various taxes
- ❑ Pricing decision far easier as they are based on equalization of all India cost taking into account tax rates in various states
- ❑ Decision about passing off the benefit of reduced cost to consumer

❖ Logistics

- ❑ Another big beneficiary beside manufacturing
- ❑ Reduction in the lead time for supply
- ❑ Positive Impact on cost of operations
- ❑ Documentation for supply meager
- ❑ Free flow of various capital and service inputs

....IMPACT ON INDUSTRY....

❖ Distribution

- ❑ Centralized Warehousing would be far attractive and effective
- ❑ Warehouses need not be State specific
- ❑ Location and size of warehouse would be determined by the center of gravity of demand cutting across many states
- ❑ Leaner Supply Chain

❖ Working Capital / Cash Flow – likely increase

- ❑ Duty free procurement of goods & services proposed to be done away with
- ❑ Shift in taxable event from manufacture to supply
- ❑ Shift in point of tax collection
- ❑ Replacement of duty free procurements by refund schemes
- ❑ Taxability of branch transfers/inter office supplies/captive consumption

....IMPACT ON INDUSTRY....

❖ Stock Transfer

- ❑ Presently stock transfers are exempted under Section 6A of the CST Act – excise duty payable on stock transfers
- ❑ Input tax reversal
- ❑ Depots and godowns have been created for non-business reasons
- ❑ *Restructuring of business would involve closure of many godowns / branches / depots and business would drive such structures*
- ❑ IGST payable on stock transfers with full ITC

❖ Input credits

- ❑ Availability of accumulated credits on transition to GST
- ❑ Continuity of ISD concept
- ❑ Amplified credit availability
- ❑ Proportionate credits for mixed supplies

....IMPACT ON INDUSTRY

❖ Redesign IT systems

- ❑ Accounting
- ❑ Change in formats of invoices, reports, returns, etc.
- ❑ Redefining the logic & updating the masters

❖ Training / Communication

- ❑ Staff training on compliance requirement
- ❑ Realigning with procurement & distribution partners
- ❑ Regular communication with stake holders

❖ Compliance requirement

- ❑ Registration
- ❑ Tax payments
- ❑ Statutory Declarations and Returns

AREAS WHERE INDUSTRY CAN CONTRIBUTE

- ❖ Treatment of procurement of goods & services for exports
- ❖ Identification of ITC blockage in the present supply chain
- ❖ Valuation in case of stock transfers
- ❖ Treatment of deemed sale (i.e. lease, works–contract, etc.)
- ❖ Classification of goods & services
- ❖ Manner of continuation of area based exemptions
- ❖ Place of Supply Rules
- ❖ Transitional issues
- ❖ Dispute resolution mechanism

A close-up photograph of a hand holding a black pen, poised to write on a document. The document features a checklist with three items: 'Quality', 'Trust', and 'Integrity', each preceded by a checkmark. The background is blurred, showing a laptop keyboard and a colorful pie chart on a screen.

✓ **Quality**

✓ **Trust**

✓ **Integrity**

ROLE OF CHARTERED ACCOUNTANTS

- ❖ Tracking GST development
- ❖ Review of draft legislation & impact Analysis
- ❖ Industry advocacy
- ❖ Review of final legislation & impact analysis
- ❖ Implementation assistance
- ❖ Post implementation support
- ❖ Tax Planning
- ❖ Record Keeping
- ❖ Departmental Audit
- ❖ External Audit of GST Records
- ❖ System Audit
- ❖ Certifications for Tax credits and Special audits, if any
- ❖ Assisting the Governments -- both Central and State

Thank you

011-23094742

upender.gupta@nic.in

upenderg90@gmail.com